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ABSTRACT

The objectives of this study were to determine the following: (1) what actions Federal agencies have taken to reduce or eliminate barriers to obtaining and using funds provided by the Stewart B. McKinney Homeless Assistance Act; (2) the adequacy of Federal program oversight; and (3) the status of program expenditure rates. The programs reviewed are ones administered by the Departments of Housing and Urban Development (HUD), Health and Human Services (HHS), Education, and Labor, and the Federal Emergency Management Agency (FEMA). The report finds that HUD, HHS, Education, and Labor have made progress in easing barriers identified as impediments to providers obtaining and using McKinney Act funds. However, HUD and Education have not adequately monitored their McKinney Act programs and therefore cannot be assured that the programs comply with the McKinney Act and Federal rules and regulations. Efforts are underway at HUD, Education, Labor, and FEMA to improve monitoring and/or to conduct program evaluations. In addition, HUD, HHS, and Education officials are aware that some program recipients have not spent large portions of their fiscal year 1987-88 funds. These officials are urged to monitor all program expenditure rates. Recommendations to the Department Secretaries and the FEMA Director and four appendixes are included. (AF)

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United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Housing and Urban Affairs, Committee on Banking, Housing and Urban Affairs, U.S. Senate

December 1990

HOMELESSNESS

Access to McKinney Act Programs Improved but Better Oversight Needed

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Resources, Community, and
Economic Development Division

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December 28, 1990

The Honorable Alan Cranston
Chairman, Subcommittee on Housing
and Urban Affairs
Committee on Banking, Housing and
Urban Affairs
United States Senate

Dear Mr. Chairman:

As requested, this report discusses actions taken by federal agencies to eliminate or reduce barriers to obtaining and using funds for programs established by the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77). These barriers were identified by assistance providers, advocacy groups, and organizations representing state and local government officials. The programs we reviewed are administered by the Departments of Housing and Urban Development (HUD), Health and Human Services (HHS), Education, and Labor. In addition, this report discusses federal oversight—monitoring and program evaluation—of 14 McKinney Act programs and the status of expenditures by program recipients for some of these programs. (See app. I for a list of the 14 programs.) Although assistance providers and others generally have not recently identified barriers to obtaining and using funds for the Federal Emergency Management Agency's (FEMA) Emergency Food and Shelter Program (EFS), we reviewed FEMA's monitoring and evaluation efforts because EFS is the largest McKinney Act program.

Results in Brief

HUD, HHS, Labor, and Education have eased barriers that assistance providers and others claimed hindered their efforts to assist the homeless through McKinney Act program funds. These barriers included requirements for matching funds, environmental reviews, and a time limit for program expenditures.

While all federal agencies have made it easier to obtain McKinney Act funds, monitoring efforts vary. FEMA and Labor monitor their programs, and HHS monitors three of its five programs. HHS relies on states to monitor its two programs that receive block grant funds. HUD and Education only recently have taken steps to implement monitoring procedures for their McKinney Act programs by developing monitoring guidelines and increasing the number of project visits. In addition, the five agencies have either completed or started, or plan to evaluate the effectiveness of

most of their programs; however, the lack of consistent data on each program's operations makes these evaluations difficult. In general, these agencies do not know how effective their McKinney Act programs are in assisting the homeless.

Although agency officials believe the reduction in barriers will make it easier for grantees to obtain McKinney Act funds, they expressed concern about how slowly some grantees are spending the funds for homeless programs. Specifically, for HUD's Emergency Shelter Grants (ESG) and Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) programs, HHS' Mental Health Services program, and Education's Adult Education for the Homeless and Education for Homeless Children and Youth programs, almost $29 million, or about 20 percent, of the fiscal years 1987-88 funds awarded remain unspent by assistance providers. In response to this concern, HUD, HHS, and Education officials have modified their program regulations, issued guidance, and proposed legislative changes to ensure that program funds are spent in a more timely manner.

Background

The McKinney Act was enacted in response to concerns about both the urgency of the homelessness crisis and the diverse needs of the homeless. The McKinney Act programs provide a variety of services, including emergency food and shelter, transitional and permanent housing, primary health care, mental health care, alcohol and drug abuse treatment, education, and job training. The programs are funded through formula grants, block grants, or a competitive process. For fiscal years 1987-90, the Congress authorized about $2.4 billion and appropriated about $1.7 billion.

Since passage of the McKinney Act, assistance providers and advocate organizations have cited administrative, legislative, and regulatory barriers that they believed impaired service delivery to the homeless. In November 1988, the Congress amended the McKinney Act (P.L. 100-628), in part, to address these concerns. However, these groups have continued to cite the need for additional changes to ease access to McKinney Act program funds.

Actions Taken to Ease Restrictions to McKinney Act Programs

Advocacy groups for the homeless, assistance providers, and other organizations have criticized matching fund requirements, application dates, and restrictions on allowed uses for program funds. In response, HUD, HHS, Education, and Labor have eased the eligibility and operational requirements of their McKinney Act programs and have taken measures to better coordinate these programs. (See app. II.)

HUD's McKinney Act programs required the most changes, and HUD officials recognized the need to improve program operations. In October 1989, HUD consolidated the management of three of its four McKinney Act programs under the Office of Special Needs Assistance Programs (SNAP) and made additional program changes. For example, with respect to the Supportive Housing Demonstration Program, SNAP officials have

- lifted the requirement for environmental reviews for housing projects receiving operational funds only,
- allowed transitional housing grant recipients to change their project location from the one specified in their application, and
- permitted the use of HUD's Community Development Block Grant and HHS' Community Services Block Grant funds to meet the local matching requirement.

HHS' IG Review Indicates Some Problems May Still Exist

Despite efforts to improve access to funds, some assistance providers believe that problems still exist. In May 1990, the HHS Inspector General (IG) completed a review of all 50 states and selected local service organizations. The IG found that assistance providers still have concerns regarding program fragmentation, complex application processes, and the uncertainty of program funding. Officials of the Interagency Council on the Homeless, who requested this study, told us they intend to review the final IG report and recommend appropriate corrective actions.

Better Federal Monitoring of McKinney Act Programs Is Needed

HUD and Education are not adequately monitoring their programs. They have not established monitoring procedures such as specific guidelines nor required audited financial statements to verify recipient's expenditures. In addition, the two agencies have not consistently performed on-site visits to grantees. Officials from the two agencies told us that little monitoring occurs because of limited staff and funds for travel and staff training. HHS monitors three of its programs and relies on state monitoring efforts for two programs that are structured as block grants. Both

FEMA and Labor monitor their assistance providers to ensure compliance with program rules and regulations.

Program Monitoring by HUD and Education Is Inadequate

HUD policy requires its field offices to monitor McKinney Act program operations. However, a recent nationwide HUD IG audit of ESG, the Supportive Housing Demonstration Program (SHDP), and Section 8 Moderate Rehabilitation Program for Single Room Occupancy Dwellings for Homeless Individuals (SRO), found that monitoring was inadequate at most of the 25 HUD field offices visited. The IG found many instances of unapproved uses of funds and unsupported expenditures. For example, one emergency shelter expended $16,000 in ESG funds for staff salaries, which is an ineligible activity. IG officials told us that HUD cannot be assured that McKinney Act funds are being used as intended.

HUD has not monitored its remaining McKinney Act program—SAFAH. According to a HUD program official, prior to September 1989, HUD had not monitored any of the 45 SAFAH projects funded in fiscal year 1987. Starting in September 1989, HUD field offices were responsible for monitoring the SAFAH projects, but as of September 1990, a HUD official did not know whether the field offices were conducting on-site visits to the projects.

HUD officials cite staff shortages—for example, the SAFAH program was staffed by one headquarters person—and limited travel and training funds as reasons for the lack of monitoring of HUD's four McKinney Act programs. HUD officials told us they plan to develop specific monitoring guidelines for three McKinney Act programs and also increase the number of on-site visits, though the lack of staff will continue to hinder the monitoring effort.

Education, in a January 1990 report to the President and the Congress, stated that because of cutbacks in personnel and funds, program monitoring had been curtailed. It further stated that monitoring of its grant programs, including its two McKinney Act programs, was insufficient to ensure that recipients use federal funds in compliance with their grants.

Education did not have adequate monitoring practices in place for the Adult Education for the Homeless Program. According to program officials, as of September 1990, Education had made no on-site visits to projects funded with fiscal years 1987-88 appropriations, and agency personnel visited only 5 of 30 fiscal year 1989 funded projects. Education officials told us they are currently designing monitoring guidelines

for the program that will be ready for use in February 1991. In addition, Education is developing a 2-year compliance review plan that will require program personnel to make on-site visits to all homeless adult education projects funded with fiscal years 1989-90 appropriations. Education expects to implement the review plan in fiscal year 1991; however, this depends on the availability of funds to pay for staff and travel.

Similarly, up until May 1990, Education had not monitored the states that received Homeless Children and Youth Program funds since fiscal year 1987. Program officials have developed specific monitoring guidelines and have started making on-site visits to the states. As of October 1990, program personnel had visited 3 states, and they plan to make on-site visits to an additional 30 to 35 states during fiscal year 1991. However, program officials told us that this number may be lower if staff levels are not increased.

FEMA, Labor, and HHS Have Monitoring Procedures in Place

Both FEMA and Labor have implemented monitoring procedures to ensure compliance with program regulations. FEMA's EFS program, created under separate legislation in 1983 and subsequently authorized under the McKinney Act, has delegated much of the monitoring responsibilities to the EFS National Board[1] and over 2,300 local EFS boards. FEMA, through the National Board, issues detailed monitoring guidelines, tracks administrative expenses, and requires independent audits of assistance providers. According to FEMA officials, desk audits are performed for each of the over 9,000 EFS assistance providers once every 3 years. This is supplemented annually by about 50 on-site visits conducted by FEMA's EFS and IG personnel, plus staff from the National Board. In addition, the local boards are required to make on-site visits to assistance providers in their jurisdiction, although FEMA officials do not know the extent to which this is being done.

Labor has also established monitoring procedures and visited about three-fourths of the projects funded by its two programs in fiscal years 1988-89. Labor personnel made on-site visits to all 15 of its homeless veterans' assistance providers. As of September 1990, agency personnel had visited 25 of 33 job training assistance providers funded in fiscal year 1988 and 4 of 12 projects funded in fiscal year 1989. According to program officials, they plan to make on-site visits to the remaining 8

[1]The Board consists of representatives from six national charitable organizations responsible for program funding decisions.

projects, plus all 19 projects funded in fiscal year 1990 during fiscal year 1991.

HHS has implemented monitoring procedures for three of its five McKinney Act programs, but it does not independently monitor its two McKinney Act block grant programs. Rather, consistent with HHS' policy and regulations on the administration of block grants, it relies on state assurances that program funds are being used for purposes consistent with the statute and not for other services, and that the program goals are being met. According to HHS officials, annual reports are reviewed by program staff to ensure that funds have been expended appropriately. For example, HHS reviews annual reports for the Community Mental Health Services for the Homeless Block Grant Program submitted by grant recipients. However, a report prepared for HHS' National Institute of Mental Health in April 1990 summarized the fiscal years 1987-88 reports and stated that the quality varied tremendously in terms of detail, time periods covered, and data on number of persons served. For five states, it was not clear in their annual reports whether or not their programs were operational.

Effectiveness of McKinney Act Programs Not Yet Determined

Overall, HUD, Labor, HHS, FEMA, and Education do not know how effective their programs are in assisting the homeless. Agency officials told us that their main concern since the passage of the McKinney Act has been to establish their respective programs and award money to assistance providers for delivery of services to the homeless. Currently, efforts are underway by the five agencies to assess most of their programs. However, according to both HUD and HHS IG officials, the agencies generally have not provided guidance to assistance providers on the type of data needed to be collected for evaluation purposes. Thus, the lack of consistent data will make it difficult to determine overall program effectiveness.

Except for a congressionally mandated assessment of the SRO program, HUD has not evaluated the effectiveness of its four programs. In a March 1990 report to the Congress on the effectiveness of its first year's SRO program, HUD concluded that the program appeared to operate effectively. The report also concluded that the ultimate effectiveness of the program must await more data on projects and residents. This conclusion was based on data from the 30 projects funded in fiscal year 1988. HUD has not assessed the additional 28 projects funded in fiscal year 1989. In addition, according to a HUD IG official, the IG's audit of the ESG

and SHDP programs indicates that not enough data are currently available to assess the effectiveness of these programs. HUD officials told us that they plan to contract for evaluations of both the ESG and SHDP programs and expect to receive the results of the evaluations in 1992.

Labor contracted for an independent evaluation of its Homeless Veterans Reintegration Project's first year of operation. A May 1990 draft of the evaluation report stated that the program was successful in its mission of veteran reintegration by exceeding the numeric goal for veterans served and total placements. However, the contractor was unable to determine the overall effectiveness of the program to deliver services to homeless veterans because uniform data have not been collected at the project level. Labor also has started an evaluation of its Job Training for the Homeless Demonstration Program, but the final results will not be reported until April 1992. Labor did, however, testify in May 1990 before the Congress on the results of the first year's operation.

HHS contracted for an evaluation of 10 of the 109 Health Care for the Homeless Program projects funded in fiscal year 1987. In a March 1989 report, the contractor concluded that several of the projects could be used as models for replication elsewhere in the country. HHS also has contracted with two firms for national evaluations of its two demonstration projects for alcohol and drug abuse and mental health services. In addition, the two demonstration projects have built-in evaluation components. According to HHS officials, one-third of the annual appropriations for the alcohol and drug abuse demonstration projects have been used for evaluations. The officials stated that in accordance with HHS block grant policy, they do not plan to assess the effectiveness of their two block grant programs. Beyond reviewing the reports prepared annually by the states, it is HHS' policy that the states are responsible for evaluating the effectiveness of block grant programs.

Neither FEMA nor Education has evaluated its McKinney Act programs, although both agencies plan to do so in fiscal year 1991. FEMA is currently accumulating program data from the local EFS boards and assistance providers that will be used in an evaluation of the EFS program. According to Education officials, the agency also is collecting program data and plans to award a contract for an evaluation of the effectiveness of its Adult Education for the Homeless programs operating in 1990. However, according to these officials, it may be difficult to reach an overall assessment because of the inconsistent data collected by the projects. Education has no plan to evaluate its Homeless Children and Youth program.

Officials Concerned About Spending Rate for Some McKinney Act Programs

Program officials told us they are concerned that funds for some McKinney Act programs are not being spent in a timely manner by some recipients. We reviewed expenditure rates for these programs for fiscal years 1987-88 and, given the emergency nature of the McKinney Act, expected that most of these funds would be spent by 1990. Specifically, for HUD's ESG and SAFAH programs, HHS' Mental Health Services program, and Education's Adult Education for the Homeless and Education for Homeless Children and Youth programs we found that almost $29 million, or about 20 percent, of the fiscal years 1987-88 funds awarded remain unspent by assistance providers. (See app. III for the amounts of fiscal years 1987-88 funds that remain unspent.)

Although about 93 percent of HUD's ESG fiscal years 1987-88 funds have been spent, several large recipients have not spent significant portions of their grants according to our analysis of March 26, 1990, expenditure data. For example, about 27 percent ($460,000) of California's ESG grant is unspent, and over 84 percent ($282,000) of Washington, D.C.'s fiscal years 1987-88 ESG grant awards remain unspent. To help spend the funds more rapidly, HUD established a program policy, effective with the fiscal year 1990 funds, that all ESG funds must be spent within 2 years of receipt. About 33 percent ($4.9 million) of SAFAH's fiscal year 1987 funds (this program was not funded in fiscal year 1988) remained unspent as of January 31, 1990. A number of SAFAH recipients have not spent substantial portions of their funds: for example, Dade County, Florida, has about $310,000 unspent, or 90 percent of the $345,000 it received, while Newark, New Jersey, has about $803,000 unspent, or 91 percent of the $881,000 it received.

Several recipients of HHS' mental health block grant program also have large amounts of funds unspent since fiscal years 1987-88. For example, as of March 31, 1990, over 95 percent ($852,000 of nearly $896,000) of Maryland's fiscal years 1987-88 grant remains unspent, while Florida has about 30 percent, or over $700,000 remaining. Current law allows, but does not require, states to turn in their unspent mental health block grants for redistribution in the state by the Secretary of HHS in the form of categorical grants. HHS has drafted a legislative proposal to require mental health block grant recipients to spend their money within 2 years of receipt. In addition, according to HHS officials, program staff monitor spending rates to identify those states with large unspent balances, to identify any technical assistance needs to overcome impediments, and to encourage those states to spend their grants more quickly.

Education's two McKinney Act programs are experiencing similar problems. Officials told us they are concerned about the slow spending rate and have made program changes to expand the allowable uses of the Education for Homeless Children and Youth Program funds. For example, as of December 31, 1989, Florida had not spent 95 percent, or $321,388, of its $337,521. In addition, New York State, as of March 30, 1990, had not spent over 85 percent, or $708,807, of its $828,772 fiscal years 1987-88 funds.

According to studies on expenditure rates conducted by HUD and HHS and our discussions with recipients, reasons for nonexpenditure include program start-up problems, time needed to award contracts for major building renovations, the uncertainty of federal funding for these programs from year to year, and community resistance to the proposed location of homeless projects.

Conclusions

HUD, HHS, Education, and Labor have made progress in easing barriers identified as impediments to providers obtaining and using McKinney Act funds.

HUD and Education have not adequately monitored their McKinney Act programs and therefore cannot be assured that the programs comply with the McKinney Act and federal rules and regulations. Without adequate monitoring, we believe the potential for the misuse of funds and inefficient program operations is increased. Further, the lack of federal guidance to assistance providers on the type of data they should be collecting for evaluation and the lack of program effectiveness evaluations hinder the government's ability to know whether the McKinney Act programs are working and what changes might be needed to improve the delivery of services to the homeless. However, at HUD, Education, Labor, and FEMA, efforts are underway to improve monitoring and/or conduct program evaluations. HHS officials told us that they will continue to rely on states to monitor and evaluate the two McKinney Act block grant programs.

In addition, HUD, HHS, and Education officials are aware that some program recipients have not spent large portions of their fiscal year 1987-88 funds. We expected that, given the emergency nature of the McKinney Act, most program funds for fiscal years 1987-88 would have been spent by 1990. For some programs, agency officials are taking actions to ensure that funds are being spent in a timely fashion, and we

believe that HUD, HHS, and Education officials should monitor all program expenditure rates.

Recommendations to the Secretaries of HUD, Education, HHS, and Labor, and the Director of FEMA

We recommend that the Secretaries of HUD and Education develop specific guidelines, conduct regular on-site visits, and require financial audits for all their McKinney Act programs. The Secretary of HHS should determine whether it is appropriate to increase the level of monitoring for the Department's two McKinney Act block grant programs.

We also recommend that the Secretaries of HUD, Education, HHS, and Labor; and the Director of FEMA evaluate the effectiveness of all their McKinney Act programs to assess whether they are working as intended and to identify needed changes. In line with this, the Secretaries and the Director of FEMA should develop evaluation guidelines to help assistance providers develop, document, and report consistent and comprehensive program data that can be used to evaluate the effectiveness of the programs.

Our objectives were to determine (1) what actions federal agencies have taken to reduce or eliminate barriers to obtaining and using McKinney Act funds, (2) the adequacy of federal program oversight, and (3) the status of program expenditure rates. We interviewed headquarters officials from the five federal agencies that administer the 14 programs. We reviewed and examined program documentation—including IG reports and reports issued by advocacy groups and public interest organizations—on program implementation and administration. We did not review three of the McKinney Act programs—the federal surplus property program and two Department of Veterans Affairs programs because we had other ongoing reviews of these programs. For the programs we reviewed, we focused on program changes made by federal agencies since the 1988 reauthorization of the McKinney Act.

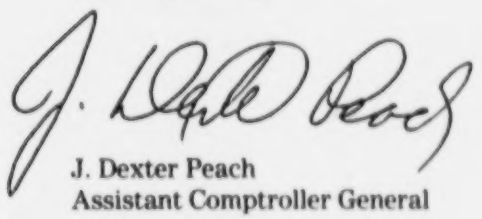
We also interviewed agency officials and 35 state and local program recipients in 15 states to obtain information on their expenditure rates for specific McKinney Act programs funded in fiscal years 1987-88. We reviewed fiscal year 1987-88 expenditures because we expected that most funds for these program years would have been spent by 1990.

We discussed the information presented in this report with agency officials responsible for each of the 14 McKinney Act programs and incorporated their comments where appropriate. As agreed, we did not obtain

written comments on this report. We conducted our review from September 1989 to October 1990 at the responsible agencies' headquarters in Washington, D.C. and performed our work in accordance with generally accepted government auditing standards.

Copies of this report will be sent to the Secretaries of HUD, HHS, Education, and Labor, the Director of FEMA; the Director, Office of Management and Budget; and other interested parties upon request. Our work was performed under the direction of John M. Ols, Jr., Director, Housing and Community Development Issues (202) 275-5525. Major contributors are listed in appendix IV.

Sincerely yours,



J. Dexter Peach
Assistant Comptroller General

Contents

Letter		1
Appendix I McKinney Act Programs Reviewed and Fiscal Year 1990 Funding Levels		14
Appendix II Actions Taken to Reduce Barriers to McKinney Act Programs		15
	HUD Programs	15
	HHS, Education, and Labor Programs	16
Appendix III Status of Fiscal Years 1987-88 Program Expenditures for Five McKinney Act Programs		18
Appendix IV Major Contributors to This Report		19

Abbreviations

EFS	Emergency Food and Shelter (Program)
ESG	Emergency Shelter Grants (Program)
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
HHS	Health and Human Services
HUD	Housing and Urban Development
IG	Inspector General
NIMH	National Institute of Mental Health
SAFAH	Supplemental Assistance for Facilities to Assist the Homeless (Program)
SHDP	Supportive Housing Demonstration Program
SRO	Section 8 Moderate Rehabilitation Program for Single-Room Occupancy Dwellings for Homeless Individuals

McKinney Act Programs Reviewed and Fiscal Year 1990 Funding Levels

Dollars in millions

	Funding
Department of Housing and Urban Development	
Levels	
Emergency Shelter Grants Program	$73.2
Supportive Housing Demonstration Program	126.8
Section 8 SRO Program	73.2
Supplemental Assistance for Facilities to Assist the Homeless	10.8
Federal Emergency Management Agency	
Emergency Food and Shelter Program	130.1
Department of Health and Human Services	
Mental Health Services Block Grant	27.7
Demonstration Projects for Alcohol and Drug Abuse	16.3
Mental Health Services Demonstration Projects	6.0
Emergency Community Services Homeless Grant Program	21.9
Health Care for the Homeless Program	32.4
Department of Education	
Adult Education for the Homeless	7.4
Education for Homeless Children and Youth	4.9
Department of Labor	
Homeless Veterans Reintegration Program	1.9
Job Training Demonstration Program	9.4

Actions Taken to Reduce Barriers to McKinney Act Programs

This appendix describes the changes made by HUD, HHS, Education and Labor to their McKinney Act programs to reduce barriers for assistance providers in obtaining and using program funds.

HUD Programs

In October 1989, HUD consolidated the management of three of its four McKinney Act programs under one office—the Office of Special Needs Assistance Programs—to better coordinate its efforts and assist providers in the delivery of services to the homeless. Since November 1989, HUD has made changes to all of its McKinney Act programs to ease problems with access and use of funds for the Supportive Housing Demonstration Program (SHDP), Emergency Shelter Grant Program (ESG), Supplemental Assistance to Facilities to Assist the Homeless (SAFAH), and the Section 8 Moderate Rehabilitation Program for Single-Room Occupancy for Homeless Individuals (SRO).

SHDP provides funds to acquire and renovate properties for transitional housing for the homeless and permanent housing for the handicapped homeless. Because providers had difficulty meeting the 50-percent matching requirement from nonfederal sources, HUD now allows its Community Development Block Grant and HHS' Community Services Block Grant funds to serve as the nonfederal match for supportive services. In addition, HUD had required providers to have control of property through lease or ownership when they applied. Faced with neighborhood resistance to homeless facilities and other problems, assistance providers had difficulty in obtaining site control within the allowed time. HUD now allows grantees to substitute a different property than that listed in their application for up to 1 year after the award. HUD also lifted the 10- to 20-year building use restriction that had previously affected landlords whose buildings were leased to SHDP funding recipients. In addition, comprehensive environmental reviews, which were costly and caused unnecessary delays according to grant recipients, are no longer required if HUD funds are used solely for operating transitional housing or permanent housing for the handicapped projects. As a result of the changes to the permanent housing for the handicapped program, HUD officials expect that the entire $15 million allocation for fiscal year 1990 will be awarded to recipients, compared with only about 28 percent from fiscal years 1987-89. Finally, HUD is now providing grants of up to 75 percent, the maximum allowed by law, of operating costs for transitional housing for the first 2 years and up to 50 percent for the remaining 3 years. Previously, HUD had funded only up to 50 percent of the operating costs for 5 years.

ESG provides grants to states, territories, and localities to rehabilitate, renovate and operate shelters and provide essential services involving health, employment, drug abuse, and education. Providers are limited to using 20 percent of their grants for essential services; however, HUD is authorized to grant waivers to allow assistance providers to exceed the 20-percent limit in certain circumstances. According to HUD officials, the first 17 waivers issued were granted in fiscal year 1990, and these allow shelters to provide more comprehensive services to the homeless, such as employment or educational assistance and homelessness prevention activities. In addition, as with SHDP, HUD also eased the requirement for comprehensive environmental reviews for grants used solely for operating shelters. The changes HUD made to SHDP and ESG also apply to the SAFAH program because SAFAH funds are used to supplement both SHDP and ESG programs.

In addition, HUD eased the eligibility requirement for its SRO program, which is designed to provide funds for moderate rehabilitation to owners of rehabilitated SRO housing through rental assistance to homeless persons residing in these buildings. HUD now allows all public housing agencies to apply for SRO funds; previously, only housing agencies with experience administering HUD's Section 8 Moderate Rehabilitation Program were eligible.

HHS, Education, and Labor Programs

HHS made one change to its Community Mental Health Services for the Homeless Block Grant program. This program provides funding to states and territories for a variety of mental health services, including outreach, community mental health services, referrals to primary health and substance abuse services, staff training, case management, and support services in residential settings. Starting with the fiscal year 1990 program, HHS recommended a March 31, 1990, due date for applications for its mental health block grant funds. According to HHS officials, the absence of a due date delayed the use of these funds because states, which apply for funds on behalf of assistance providers, were applying for program funds late in the fiscal year. These late applications delayed getting the funds to the assistance providers. In fiscal year 1989, HHS received only 20 of 56 applications by March 31, compared with 38 out of 56 by that date in 1990.

Education's Education for Homeless Children and Youth Program initially did not allow direct services to the homeless, but rather funded state efforts to plan and organize educational programs for homeless children and youth. An advocacy group complained that the program

should directly pay for educational services for homeless children and youth. In June 1989, Education informed states that they could use any prior years unspent funds to start pilot projects for educational programs for homeless children and youth. As of October 1990, according to an Education official, 37 states have started these pilot projects.

Labor's Job Training for the Homeless Demonstration Program provides funds to demonstration projects for such activities as job counseling and training for the homeless. Labor asked the Congress to change the McKinney Act to remove the 2-year limit on the expenditure of program funds. The Congress made this change in November 1989 after Labor supplied information showing as of September 30, 1989, 19 of 33 projects had significant amounts of unexpended funds. According to a Labor official, some of the 19 either stopped or curtailed services when the 2-year funding period expired. According to the Labor official, the removal of the 2-year spending limit permitted all 19 projects to continue serving the homeless and be evaluated for possible replication.

Status of Fiscal Years 1987-88 Program Expenditures for Five McKinney Act Programs

Dollars in millions

Agency/Program	Funds awarded	Funds spent	Funds unspent	Percent spent
HUD				
Emergency Shelter Grant (as of Mar. 1990)	$58.0	$54.0	$4.0	93
Supplemental Assistance for Facilities to Assist the Homeless (as of Jan 1990)	15.0	10.0	5.0	67
HHS				
Mental Health Services Block Grant (as of Mar. 1990)	43.7	36.0	7.7	82
Education				
Adult Education for the Homeless (as of Mar. 1990)	14.0	7.3	6.7	52
Education for Homeless Children and Youth (as of Dec. 1989)	9.0	3.8	5.2	41
Total	**$139.7**	**$111.1**	**$28.6**	**80**

Major Contributors to This Report

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